

DEBT SERVICE FUND OVERVIEW

The **Debt Service Fund** is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.



DEBT SERVICE FUND

REVENUES/EXPENDITURES

Category	FY 2005 Actual	FY 2006 Forecast	FY 2006 Budget	FY 2007 Projected
Revenues				
Current Property Taxes	62,841,179	70,670,160	66,548,147	72,492,308
Delinquent Property Taxes	3,012,263	1,511,639	2,150,654	2,500,000
In Lieu Of Taxes-Contractual	3,001,962	1,611,584	1,100,000	1,100,000
Hotel-Motel Tax	395,099	395,799	395,799	397,233
Use of Money	364,994	437,713	500,000	500,000
Intergovernmental Revenues				
Memphis Shelby County Airport Authority	3,573,057	3,869,855	3,869,855	3,898,518
Memphis Shelby County Port Commission	328,794	345,216	345,216	362,499
Other	1,735,662	3,915,978	3,088,802	3,698,438
Total Revenues	75,253,009	82,757,944	77,998,474	84,948,996
Other Sources				
Transfer from General Fund	1,144,277	3,857,512	4,312,797	3,624,913
Transfer from Municipal State Aid Fund	5,437,146	2,770,854	5,541,703	3,157,837
Transfer from Golf Fund	287,382	291,622	291,622	290,454
Transfer from Stadium	0	335,969	335,969	336,030
Transfer from Stormwater Fund	0	0	0	2,000,000
Transfer from Solid Waste Management Fund	0	1,390,747	1,390,747	1,390,747
Transfer from Hotel Motel Fund	1,027,313	1,015,875	1,015,875	977,906
Operating transfers in components units:				
Board of Education	6,324,907	6,337,918	6,337,918	6,348,015
Proceeds from Refunding Bonds	313,094,004	40,801,109	0	0
Total Other Sources	327,315,029	56,801,606	19,226,630	18,125,903
Total Revenue/Other Sources	402,568,038	139,559,550	97,225,103	103,074,898



DEBT SERVICE FUND**REVENUES/EXPENDITURES**

Category	FY 2005 Actual	FY 2006 Forecast	FY 2006 Budget	FY 2007 Projected
Expenditures				
Redemption of serial bonds and notes	51,389,448	45,230,147	54,235,146	39,498,342
Interest	37,050,257	40,633,346	41,854,243	48,763,654
Other	796,569	350,000	350,000	350,000
Transfer to General Fund Unallocated	6,000,000	0	0	6,000,000
Retirement of Refunded Debt	312,355,716	40,693,539	0	0
Total Expenditures	407,591,989	126,907,032	96,439,389	94,611,996
Other use:				
Health Department	785,714	785,714	785,714	785,714
Total Expenditures/Other Sources	408,377,703	127,692,746	97,225,103	95,397,710
Contribution(Use) of Fund Balance	(5,809,666)	11,866,804	0	7,677,188
Fund balance beginning of year	13,918,291	8,108,625	8,409,822	19,975,430
Fund balance end of year	8,108,625	19,975,430	8,409,822	27,652,618



DEBT SERVICE

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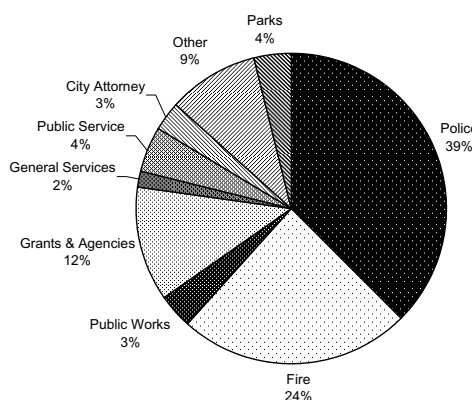
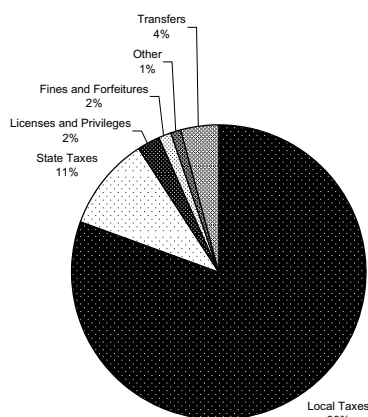
General obligation bonds are issued to provide funding for various capital projects of the City. These capital projects are related to infrastructure and equipment needs of one or more of the City's operating divisions or outside agencies funded by the City. Outside agencies that receive major capital funding from the City include the Memphis and Shelby County Public Library System, Memphis City Schools and Memphis Area Transit Authority.

General obligation bond proceeds are disbursed on a "first-in/first-out" basis. Capital expenditures are assigned to the oldest bond issue at the time of actual cash disbursement. The City reconciles internal accounting records monthly to insure that activity in the CIP cash account and actual cash disbursement balance at month-end.

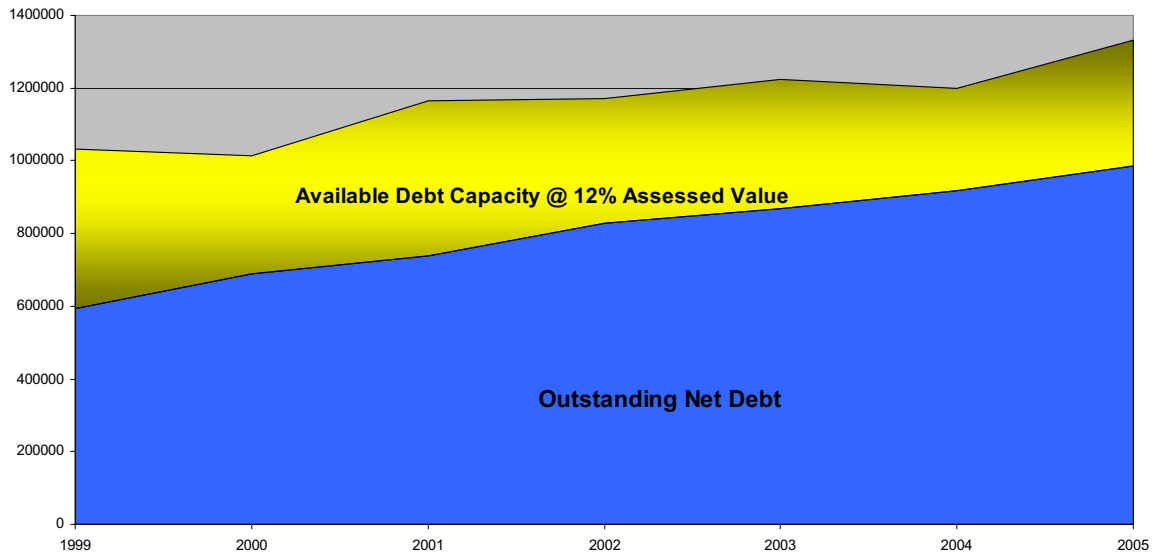
Expenditures are not charged against a specific bond issue until the actual cash is disbursed. This methodology was developed to satisfy certain provisions of the Tax Reform Act of 1986 which require all bond proceeds to be spent within three years of original issuance. This methodology also allows the City to take advantage of the two-year spend-down rule which allows municipalities to keep any excess arbitrage earnings, if such requirements are met.

In April 2001, the City entered into agreements to sell bond anticipation notes in the form of General Obligation Commercial Paper. The Commercial Paper is issued under the State of Tennessee Commercial Paper Program in an amount not to exceed \$ 150,000,000. The purpose of the Commercial Paper is to provide interim financing of various capital projects and to pay the principal of maturing Commercial Paper. The Commercial Paper has varying maturities of not more than 270 days from their respective dates of issuances. The City has entered a line of credit agreement, which expires on April 2, 2009, to provide liquidity support for this Commercial Paper Program. The debt is classified as long-term debt and is reflected in the City's Statement of Net Assets and the City's Capital Improvement Projects Fund, based on the City's ability to refinance the debt under the line of credit agreement. The amount outstanding under this program is \$70,000,000.

The following graphs show the breakdown of the Fiscal Year 2007 CIP expenditure budget by division or agencies funded and the anticipated revenue sources to fund the capital improvement projects planned for the period.



**Debt Capacity Based on City Debt Policy
(In Millions)**



	1999	2000	2001	2002	2003	2004	2005
Total Net Debt Outstanding	\$593,193	\$689,377	\$739,912	\$827,549	\$869,400	\$917,384	\$986,312
Excess Debt Capacity	438,785	325,356	423,818	344,239	354,709	281,641	346,725
Maximum Debt @ 12% - City Policy	1,031,978	1,014,733	1,163,730	1,171,788	1,224,109	1,199,025	1,333,037

DEBT SERVICE FUND**REVENUES/EXPENDITURES**

**Ratio of General Bonded Debt to Appraised and
Assessed Values and Bonded Debt Per Capita
Last Five Fiscal Years**

For the Fiscal Years Ended June 30					
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Estimated Population	627,802	677,382	677,382	650,100	650,100
Appraised Property Valuation (3)	\$ 35,550,325	31,801,586	21,265,194	30,569,738	30,475,303
Assessed Valuation (3)	\$ 11,108,644	9,992,954	10,200,919	9,764,897	9,697,751
Total General Obligation Debt (1) (3)	\$ 1,011,698	947,040	903,659	866,148	782,920
Self-Supporting Debt (2) (3)	\$ 25,386	29,656	34,259	38,599	43,008
Net Debt (3)	\$ 986,312	917,384	869,400	827,549	739,912
Bonded Debt Per Capita - Total Debt	1,611	1,398	1,334	1,332	1,204
Bonded Debt Per Capita - Net Debt	1,571	1,354	1,283	1,273	1,138
Bonded Debt to Appraised Valuation - Total Debt	2.85%	2.98%	2.80%	2.83%	2.57%
Bonded Debt to Appraised Valuation - Net Debt	2.77%	2.88%	2.69%	2.71%	2.43%
Bonded Debt to Assessed Valuation - Total Debt	9.11%	9.48%	8.86%	8.87%	8.07%
Bonded Debt to Assessed Valuation - Net Debt	8.88%	9.18%	8.52%	8.47%	7.63%

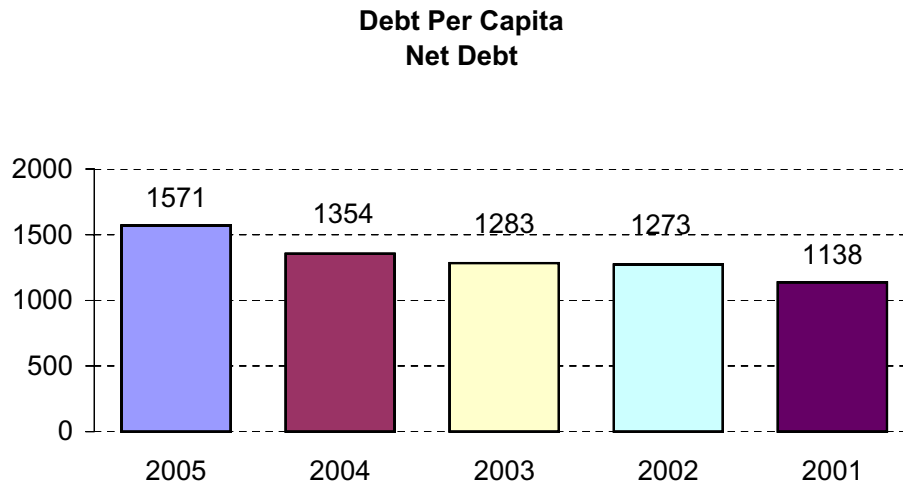
(1) Debt includes City general obligation bonds, state loans, commercial paper, variable and leases.

(2) The self-supporting debt includes Airport Bonds, State Loans, Convention Center and Port Commission

(3) In thousands of dollars.



Bonded debt per capita on a net debt basis has increased over the last five years. From 2001 through 2005, the City's net debt per capita has averaged approximately \$1,323 per person.



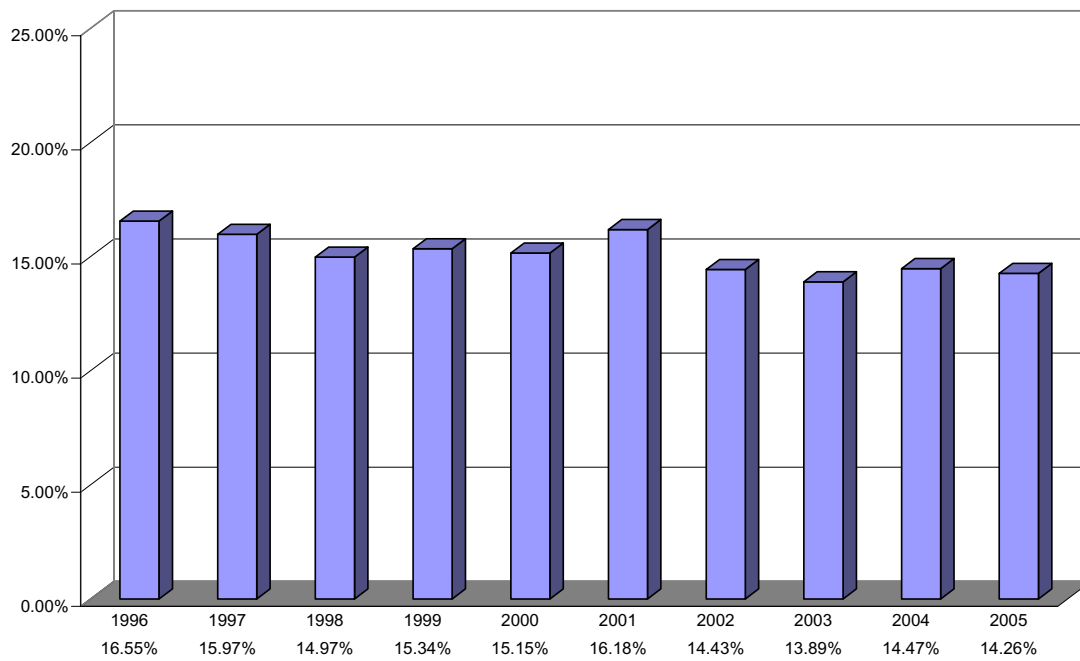
The ratio of annual debt service to general expenditures has averaged approximately 17% over the last ten years.

Ratio of Annual Debt Service to General Expenditures
Last Ten Fiscal Years (In Thousands of Dollars)

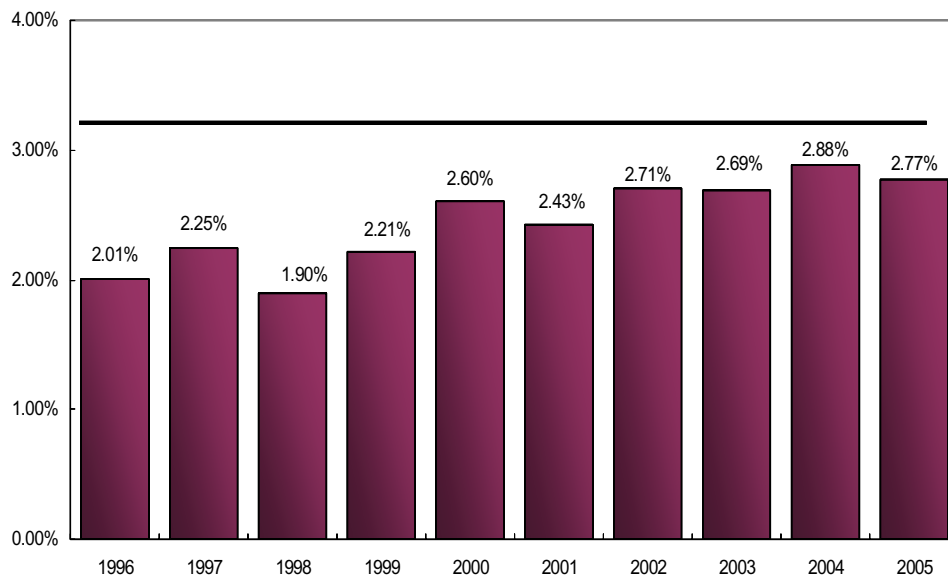
Fiscal Year	General Obligation Debt Service			Total General Fund Expenditures (1)	Ratio of Debt Service to General Expenditures (%)
	Principal	Interest	Total		
1996	43,871	20,668	64,539	389,982	16.55%
1997	45,252	22,002	67,254	421,116	15.97%
1998	43,119	24,700	67,819	452,938	14.97%
1999	46,541	28,098	74,639	486,708	15.34%
2000	45,634	31,605	77,239	509,711	15.15%
2001	47,528	39,179	86,707	535,795	16.18%
2002	45,292	33,847	79,139	548,454	14.43%
2003	43,341	37,258	80,599	580,238	13.89%
2004	50,792	40,310	91,102	629,789	14.47%
2005	51,600	37,065	88,665	621,570	14.26%

(1) Includes General Fund and Debt Service Fund; expenditures and transfers out

Debt Service % General Fund Expenditures



Net Debt % Appraisal Value



DEBT SERVICE FUND

REVENUES/EXPENDITURES

City of Memphis
General Obligation Debt Service - As of Fiscal Year 2006
By Issue; By Fiscal Year
Principal Only

Description		Issue Size	Total Principal Outstanding	Final Maturity
Refunding-Gen Imp	May-92	43.825	4,475,000.00	9/1/2007
Refunding-Gen Imp	Dec-93A	48.996	6,401,257.70	8/1/2012
Refunding-Gen Imp	Aug-95 A	8.700	6,700,000.00	8/1/2008
Refunding-Gen Imp	Aug-95 B	7.900	5,100,000.00	8/1/2008
Refunding-Gen Imp	Aug-96	50.130	32,155,000.00	11/1/2014
Refunding-Gen Imp	May-97	11.055	6,590,000.00	8/1/2011
Refunding-Airport (Forward)	Apr-98	19.290	12,040,000.00	7/1/2012
Gen Imp	Jul-98	89.190	7,800,000.00	10/1/2008
Refunding-Gen Imp	Sep-98	81.045	40,850,000.00	10/1/2016
Refunding-Gen Imp	Jan-99	42.290	39,880,000.00	10/1/2013
Gen-Imp	May-99	70.000	12,510,000.00	10/1/2020
Gen Imp	Apr-00	140.000	6,105,000.00	4/1/2009
Lease-2001- Public Works	Feb-01	1.880	401,541.30	10/1/2005
Lease-Fire	Sep-01	0.669	138,733.20	9/1/2005
Lease-Public Works	Jul-01	4.350	1,829,681.85	7/1/2006
Commercial Paper (150 M)	Sep-02	150.000	70,000,000.00	6/30/2004
Refunding - Gen Imp	Nov-01	92.985	86,200,000.00	11/1/2017
Gen Imp	Jun-02	170.000	63,500,000.00	11/1/2023
Refunding- Gen Imp	Aug-02	24.040	13,490,000.00	8/1/2008
Gen Imp	May-03	96.940	52,095,000.00	5/1/2022
Refunding - Gen Imp	Feb-04	34.160	34,160,000.00	10/1/2018
Gen Imp	Nov-06	125.000	125,000,000.00	10/1/2024
Refunding - Gen Imp	Mar-06	166.880	166,880,000.00	10/1/2020
Refunding - Gen Imp	Jun-05B	115.635	115,635,000.00	10/1/2019
Refunding - Gen Imp	Feb-06	115.115	115,115,000.00	11/1/2025
Total GO Bonded Debt			1,025,051,214.05	
State Loans - Sewer	N/A	22.695	188,532.00	
Total Bonded Debt			1,025,239,746.05	
Self-Supporting Debt			25,385,834.00	
Total Debt After Self-Supporting			\$999,853,912.05	



City of Memphis
Summary of Refundings Since 1992

Closing Date	Series Number	Type of Bonds	Original Bond Size (\$)	Lead Underwriter	PV Savings	Percent %
04/28/89	1993	Sanitary Sewerage System Rev. & Refg.	21,755,000	Morgan Keegan & Company	(See Note 1)	(See Note 1)
08/31/89	1993	General Improvement Refunding	24,455,000	First Chicago Capital Market	781,807	781,807
08/31/89	1993A	Sanitary Sewerage System Rev. Refg.	14,805,000	Morgan Keegan & Company	672,866	672,866
12/15/89	1993A	General Improvement Refunding	42,595,000	Bear, Stearns & Co.	2,656,958	2,656,958
12/15/89	1993A	General Improvement Refunding	6,401,258	Bear, Stearns & Co.		
08/20/92	1996	General Improvement Refunding	50,130,000	Lehman Brothers	1,682,807	1,682,807
05/05/93	1997	General Improvement Refunding	11,055,000	Morgan Keegan & Company	671,408	671,408
08/15/93	1995A	General Improvement Refunding	26,200,000	J.P. Morgan Securities, Inc.	(See Note 2)	(See Note 2)
08/15/93	1995B	General Improvement Refunding	13,500,000	J.P. Morgan Securities, Inc.		
04/01/94	1998	General Improvement Refunding	19,290,000	Morgan Keegan & Company	1,179,990	1,179,990
09/01/98	1998A	General Improvement Refunding	81,045,000	Morgan Keegan & Company	1,805,328	1,805,328
01/01/99	1999	General Improvement Refunding	42,290,000	Morgan Keegan & Chapman	1,539,457	1,539,457
01/30/01	2001	Sanitary Sewerage System Refunding	20,795,000	Morgan Keegan & Company	890,935	890,935
11/01/01	2001	General Improvement Refunding	92,985,000	First Tennessee Capital Markets	3,629,994	3,629,994
08/15/02	2002	General Improvement Refunding	24,040,000	Morgan Keegan & Company	1,211,273	1,211,273
08/15/02	2002	Sanitary Sewerage System Rev. Refg.	22,805,000	Harvestons Securities, Inc	921,630	921,630
02/19/04	2004	General Improvement Refunding	34,160,000	Morgan Keegan & Company, Inc.	1,573,310	1,573,310
03/15/05	2005	General Improvement Refunding	166,880,000	Morgan Keegan & Company, Inc.	7,832,566	7,832,566
06/22/05	2005B	General Improvement Refunding	115,635,000	Morgan Keegan & Company, Inc.	5,163,847	5,163,847
02/28/06	2006B	General Improvement Refunding (Restruct)	38,185,000	Merrill Lynch	560,542	560,542

Total Par Amount of Refundings **\$869,006,258**

Total Number of Refundings Since 1992 **20**

Note 1

The savings did not meet the City's goal of 5%, therefore withdrew bonds from financing.

Note 2

Savings will be realized from a reduction in both credit facility & remarketing fees of approximately \$1.1 Million over the life of the loan.